The Asia-Pacific Journal | Japan Focus

Volume 8 | Issue 44 | Number 2 | Article ID 3436 | Nov 01, 2010

Operation Paper: The United States and Drugs in Thailand and Burma□□米国とタイ・ビルマの麻薬

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Operation Paper: The United States and Drugs in Thailand and Burma

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This Chapter 3 from my newly published American War Machine describes America's Operation Paper, a November 1950 program to arm and supply the Kuomintang remnant troops of General Li Mi in Burma. Operation Paper itself was relatively short-lived, but it had two long-term consequences that have not been adequately discussed.

The first is that the CIA was launched into its fifty-year history of indirectly facilitating and overseeing forces engaged in vastly expanding the production of opiates, in successive areas not previously major in the international traffic. This is a history that stretches, almost continuously, from Thailand and Burma through Laos until the 1970s, and then to present-day Afghanistan.

The second is that the resulting drug proceeds helped supplement the CIA's efforts to develop its own Asian proxy armies, initially defensive but increasingly offensive. This led in 1959 to the initiation of armed conflict in the previously neutral and Buddhist nation of Laos, an unwinnable hot war that soon spread to Vietnam.

The decision to launch Operation Paper was made by a small cabal inside the Office of Policy Coordination (OPC), notably Desmond Fitzgerald and Richard Stilwell in conjunction with former OSS Chief William Donovan, who favored the rollback of communism over the official State Department policy of containment. My book sees the expanding offensive efforts in Southeast Asia, after switching from Li Mi's forces to the CIA's Thai proxy army PARU, as a watershed in the conversion of America's post-war defense establishment, which was concerned above all with preserving the status quo in western Europe, into today's offensive American War Machine, with actions centered on Southeast and Central Asia.

The writing of *American War Machine* has given me a clearer picture of America's overall responsibility for the huge increases in global drug trafficking since World War II. This is exemplified by the more than doubling of Afghan opium drug production since the U.S. invaded that country in 2001. But the U.S. responsibility for the present dominant role of Afghanistan in the global heroin traffic has merely replicated what had happened earlier in Burma, Thailand, and Laos between the late 1940s and the 1970s. These countries also only became factors in the international drug traffic as a result of CIA assistance (after the French, in the case of Laos) to what would otherwise have been only local traffickers. •

> *It is not too much to conclude that, for such larger reasons of policy, U.S. authorities actually suborned at times an increase of illicit heroin traffic.*
>
> *An understanding of this phenomenon must inform future scholarly work on drug trafficking*

https://doi.org/10.1017/S1557466010010491 Published online by Cambridge University Press

in Asia.[1]

If opium could be useful in achieving victory, the pattern was clear. We would use opium.[2]

Thailand and Drugs: A Personal Preface

It is now clearly established that in November 1950, President Truman, faced with large numbers of Chinese communist troops pouring into Korea, approved an operation, code-named Operation Paper, to prepare remnant Kuomintang (KMT) forces in Burma for a countervailing invasion of Yunnan. It is clear also that these troops, the so-called 93rd Division under KMT General Li Mi, were already involved in drug trafficking. It is clear finally that, as we shall see, Truman belatedly approved a supply operation to drug traffickers that had already been in existence for some time.

The purpose of this chapter is to explore the process that led up to Truman's validation of a program to use drug proxies in Burma. It will be an exercise in deep history, raising questions that the archival records presently available cannot definitively answer. Some of most relevant records, chiefly those of the Office of Policy Coordination (OPC) that initiated Operation Paper, are still closed to public view. Others, such as those of the World Commerce Corporation (WCC) or of the Willis Bird import-export firm in Bangkok, would probably tell us little even if we had them. And some of the most important events, such as the path by which Thai Opium Monopoly opium soon reached the streets of Boston, were probably never documented at all.

The topic of this chapter is a major one in the postwar history of China, Southeast Asia, and the global drug traffic. With needed U.S. support, above all in the form of airlift and arms, Li Mi's irregulars were soon marketing, in the words of their U.S. overseer Richard Stilwell (chief of OPC Far East), "almost a third of the world's opium supply."[3] Burton Hersh, who transmits Stilwell's comment, adds his own remark that Li Mi's troops "developed over time into an important commercial asset for the CIA." Based on what is currently known, I would express the relationship differently: Li Mi's drug-trafficking troops continued to be of major importance to the CIA—but as self-supporting, off-the-books allies in the struggle to secure Southeast Asia against communist advances, not as a source of income for the CIA itself.

Overview

In the 1950s, after World War II, the chances seemed greater than ever before for a more peaceful, orderly, legal, and open world. Even the world's two great superpowers, the United States and the Soviet Union, had agreed on rules and procedures for mediating their serious differences through a neutral body, the United Nations. The United States was then wealthy enough to finance postwar reconstruction in devastated Europe and later

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fund international programs in fields such as health and agriculture in the newly liberated former colonies of the Third World.

But the United Nations was not destined to remain the theater for the resolution of international conflict. One major reason for this was that the Soviet Union, the United States, and then, after 1949, China all pursued covert policies, low key at first, that brought them increasingly into conflict and proxy war.

The Marxist-Leninist nations of the Soviet Union and China lent support to other Marxist-Leninist parties and movements, some of them insurrectionary, in other parts of the world. Washington's often inaccurate perception saw these parties and movements as proxies for Soviet and/or Chinese power. Thus, much of the Cold War came to be fought covertly in areas, like Southeast Asia, about which both the United States and the Soviet Union were stunningly ignorant.

From the very beginning of the postwar era, Washington looked for proxies of its own to combat the threat it perceived of world revolution. Some of these proxies are now virtually forgotten, such as the Ukrainian guerrillas, originally organized by Hitler's SS, who fought an OPC-backed losing battle against Russia into the early 1950s. Some, like the mafias in Italy and Marseille, soon outgrew their U.S. support to become de facto regional players in their own right.

But one of America's early proxy armies, the remnants of Nationalist Chinese KMT forces in Burma and later Thailand, would continue to receive U.S. support into the 1960s. Like the mafias in Europe and the yakuza in Japan, these drug proxies had the advantage for secrecy of being off-the-books assets, largely self-supporting through their drug dealing, and firmly anticommunist.

The OPC and CIA's initial support of this program, by reestablishing a major drug traffic out of Southeast Asia, helped institutionalize what became a CIA habit of turning to drug-supported off-the-books assets for fighting wars wherever there appeared to be a threat to America's access to oil and other resources—in Indochina from the 1950s through the 1970s, in Afghanistan and Central America in the 1980s, in Colombia in the 1990s, and again in Afghanistan in 2001.[7]

Harvesting opium in Karenni state, Burma

The use of drug proxies, at odds with Washington's official antidrug policies, had to remain secret. This meant that in practice major programs with long-term consequences were initiated and administered by small cliques with U.S. intelligence ties that were almost invisible in Washington and still less visible to the American people. These cliques of like-minded individuals, at ease in working with traffickers and other criminals, were in turn part of a cabal supported by elite groups at high levels.

The U.S. use of the drug traffic from the KMT troops in Burma had momentous consequences for the whole of Southeast Asia. For the OPC infrastructure for the KMT troops (Sea Supply Inc., see below) was expanded and modified, with support from William Donovan

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and Allen Dulles, to develop and support an indigenous guerrilla force in Thailand, PARU. PARU, far less publicized than the KMT troops, did as much or more to influence U.S. history. For PARU's success in helping to guarantee the independence of Thailand encouraged the United States in the 1960s to use PARU in Laos and Vietnam as well. Thus, PARU's early successes led the United States, incrementally, into first covert and eventually overt warfare in Laos and Vietnam. We shall see that, according to its American organizer James William ["Bill"] Lair, PARU, like the KMT forces, was in its early stage at least partly financed by drugs.

In short, some Americans had a predictable and almost continuous habit of turning to the drug traffic for off-the-books assets. This recourse began as a curious exception to the larger U.S. policy of seeking political resolution of international conflicts through the United Nations. It also pitted the regular U.S. diplomats of the State Department against the Cold Warriors of the secret agency, OPC, that had these drug assets at its disposal. This was not the only time that a small U.S. bureaucratic cabal, facing internal opposition but enjoying high-level backing, could launch an operation that became far larger than originally authorized. The pattern was repeated, with remarkable similarities, in Afghanistan in 1979. Once again, as in Thailand, the original stated goal was the defense of the local nation and the containment of the communist troops threatening to subdue it. Once again this goal was achieved. But once again the success of the initial defensive campaign created a momentum for expansion into a campaign of offensive rollback that led to our present unpromising confrontation with more and more elements of Islam.[8]

The cumulative history of these U.S. interventions, both defensive (successful) and offensive (catastrophic), has built and still builds on itself. Successes are seen as opportunities to move forward: it is hard for mediocre minds not to draw bad lessons from them. Failures (as in Vietnam) are remembered even more vividly as reasons to prove that one is not a loser.

It is thus important to analyze this recurring pattern of success leading to costly failure, to free ourselves from it. For it is clear that the price of imperial overstretch has been increasing over time.

With this end in mind, I shall now explore key moments in the off-the-books story of Southeast Asian drug proxies and the cliques that have managed them, a trail that leads from Thailand after World War II to the U.S. occupations of Iraq and Afghanistan today.

The Origins of the CIA Drug Connection in Thailand

To understand the CIA's involvement in the Southeast Asian drug traffic after World War II, one must go back to nineteenth-century opium policies of the British Empire. Siamese government efforts to prohibit the smoking of opium ended in 1852, when King Mongkut (Rama IV), bowing to British pressures, established a Royal Opium Franchise, which was then farmed out to Siamese Chinese.[9] Three years later, under the terms of the unequal Bowring Treaty, Siam accepted British opium free of duty, with the proviso that it was to be sold only to the Royal Franchise. (A year later, in 1856, a similar agreement was negotiated with the United States.) The opium farm became a source of wealth and power to the royal government and also to the Chinese secret societies or triads that operated it. Opium dependency also had the effect of easing Siam into the ways of Western capitalism by bringing "peasants into the cash economy as modern consumers."[10]

Until it was finally abolished in 1959, proceeds from the Opium Franchise (as in other parts of Southeast Asia) provided up to 20 percent of

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Siamese government revenue.[11] This is one reason why the opium franchise ceased to be farmed out to Chinese businessmen in 1907 and became (as again in other parts of Southeast Asia) a government monopoly. Another was the desire to reduce the influence of Chinese secret societies and encourage Chinese assimilation into Siam. As a result, the power of the secret societies did generally decline in the twentieth century, except for a revival under the Japanese occupation during World War II. By this time the KMT, operating under cover, was the most powerful force in the Bangkok Chinese community, with overlapping links to Tai Li's KMT intelligence network and also the drug traffic.[12]

Although the official source of opium for the Siamese franchise was India, the relatively high cost of Indian opium encouraged more and more smuggling of opium from the Shan states of eastern Burma. With the gradual outlawing of the opium traffic in the early twentieth century, the British banned the use of Shan opium inside Burma but continued to tax the Shan states as before. In this way the British tacitly encouraged the export of Shan opium to the Thai market.[13]

When Thailand declared war against Britain in January 1942, Shan opium became the only source for the lucrative monopoly. This helps explain the 1942 invasion of the opium-producing Shan states by the Thai Northern (Prayap) army, in parallel to the Japanese expulsion of the British from Burma.[14] In January 1943, as it became clearer that Japan would not win the war, the Thai premier Phibun Songkhram used the Northern Army in Kengtung, with its control of Shan opium, to open relations with the Chinese armies they had been fighting, which had by now retreated across the Yunnan–Burma frontier.[15] One of these was the 93rd Division, at Meng Hai in the Thai Lü district of Sipsongphanna (Xishuangbanna) in Yunnan.[16] The two sides, both engaged in the same lucrative opium traffic, quickly agreed to cease hostilities. (According to an Office of Strategic Services [OSS] observer, the warlord generals of Yunnan, Lung Yun, and his cousin Lu Han, commander of the 93rd Division, were busy smuggling opium from Yunnan across the border into Burma and Thailand.[17])

An OSS team of Seri Thai (Free Thais), led by Lieutenant Colonel Khap Kunchon (Kharb Kunjara) and ostensibly under the direction of OSS Kunming, made contact with both sides in March–April 1944.[18] When Khap arrived at the 93rd Division Headquarters, "he discovered that an informal ceasefire had been observed along the border between southern Yunnan and the Shan States [in Burma] since early 1943 with the arrangement being cemented from time to time by gifts of Thai whisky, cigarettes and guns presented to officers of the 93rd Division by their Thai counterparts."[19]

Khap, with the permission of his OSS superior Nicol Smith, sent a message from Menghai to a former student of his now with the Thai Northern Army in Kengtung.[20] "The letter stressed the need for Thai forces to switch sides at the appropriate moment and asked for the names of Thai officers in the area who would be willing to cooperate with the Allies."[21] Khap's letter, with its apparent OSS endorsement, reached Phibun in Bangkok and led to an uninterrupted postwar collaboration between the Northern Army and the 93rd Division.[22]

Khap, however, was a controversial figure inside OSS, mistrusted above all for his dealings with Tai Li. We learn from Reynolds's well-documented history that Tai Li and Khap, in conjunction with the original OSS China chief Milton Miles, had been concertedly pushing a plan to turn the Thai Northern Army against the Japanese.[23] But John Coughlin, Miles's successor as OSS chief in China, consulted some months later with Donovan in

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Washington and expressed doubts about the scheme. A follow-up memo to Donovan questioned Khap's motives:

> I . . . doubt that he can be trusted. . . . I feel that he will make deals with Tai Li of which I will not be informed. . . . I am at a loss to figure out Tai Li's extreme interest in him, unless there is some agreement between them that I know nothing about.[24]

Like his sources, Reynolds's archival history is tactfully silent on the topic of opium. But Tai Li's opium connection to the KMT in Thailand and Burma was well known to OSS and may well have been on Coughlin's mind.[25]

KMT forces in Burma, 1953

The Northern Army–93rd Division–KMT connection had enormous consequences. For the next three decades, Shan opium would be the source of revenue and power for the KMT in Burma and both the KMT and the Northern Army in Bangkok. All of Thailand's military leaders between 1947 and 1975—Phin Chunhawan, his son-in-law Phao Sriyanon, Sarit Thanarat, Thanom Kittikachorn, Prapat Charusathien, and Kriangsak Chomanand—were officers from the Northern Army. Successively their regimes dominated and profited from the opium supplied by the KMT 93rd Division that after the war reestablished itself in Burma.[26] This was true from the military coup in Bangkok of November 1947 until Kriangsak's resignation in 1980.[27] A series of coups d'état—in 1947, 1951, 1957, and 1975—can be analyzed in part as conflicts over control of the drug trade.[28]

As in Indonesia and other Asian countries, the generals' business affairs were handled by local Chinese. The Chinese banking partner of Phin Chunhawan and Phao Sriyanon was Chin Sophonpanich, a member of the Free Thai movement who in the postwar years enabled Phao to die as "one of the richest men in the world."[29] When in 1957 Sarit displaced Phao and took over both the government and the drug trade, both Phao and Chin had to flee the country.[30]

The United States Helps Rebuild the Postwar Drug Connection

To appreciate the significance of the connection we are discussing, we must keep in mind that, by 1956, the KMT had been driven from the Chinese mainland and that Chinese production of opium, even in remote mountainous Yunnan, had been virtually eliminated. The disruptions of a world war

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and revolution had created an opportunity to terminate the opium problem in the Far East. Instead, U.S. covert support for the Thai and KMT drug traffickers converted Southeast Asia, for more than two decades, into the world's major source of opium and heroin.

The origins of the U.S. interface with these drug traffickers in Thailand and Burma are obscure. They appear, however, to have involved principally four men: William Donovan; his British ally Sir William Stephenson, the organizer with Donovan of the World Commerce Corporation (WCC); Paul Helliwell; and Willis Bird (both veterans of OSS China). After World War II, Sir William Stephenson's WCC "became very active in Bangkok," and Stephenson himself established a strong personal relationship with King Rama IX.[31]

Stephenson recruited James Thompson, the last OSS commander in Bangkok, to stay on in Bangkok as the local WCC representative. This led to the WCC's financing of Thompson's Thai Silk Company, a successful commercial enterprise that also covered Thompson's repeated trips to the northeastern Thai border with Laos, the so-called Isan, where communist insurrection was most feared and where future CIA operations would be concentrated.[32] One would like to know whether WCC similarly launched the import-export business of Willis Bird, of whom much more shortly.

In the same postwar period, Paul Helliwell, who earlier had been OSS chief of Special Intelligence in Kunming, Yunnan, served as Far East Division chief of the Strategic Service Unit, the successor organization to OSS.[33] In this capacity he allegedly "became the man who controlled the pipe-line of covert funds for secret operations throughout East Asia after the war."[34] Eventually, Helliwell would be responsible for the incorporation in America of the CIA proprietaries, Sea Supply Inc. and Civil Air Transport (CAT) Inc. (later Air America), which would provide support to both Phao Sriyanon of the Northern Army in Thailand and the KMT drug camps in Burma. It is unclear what he did before the creation of OPC in 1948. Speculation abounds as to the original source of funds available to Helliwell in this earlier period, ranging from the following:

> 1. The deep pockets of the overworld figures in the WCC. Citing Daniel Harkins, a former USG investigator, John Loftus and Mark Aarons claimed that Nazi money, laundered and manipulated by Allen Dulles and Sir William Stephenson through the WCC, reached Thailand after the war. When Harkins informed Congress, he "was suddenly fired and sent back [from Thailand] to the United States on the next ship."[35]
>
> 2. The looted gold and other resources collected by Admiral Yamashita and others in Japan[36] or of the SS in Germany.
>
> 3. The drug trade itself. Further research is needed to establish when the financial world of Paul Helliwell began to overlap with that of Meyer Lansky and the underworld. The banks discussed in the chapter 7, which are outward signs of this connection (Miami National Bank and Bank of Perrine), were not established until a decade or more later. Still to be established is whether the Eastern Development
> Company represented by Helliwell was the firm of this name that in the 1940s cooperated with Lansky and others in the supply of arms to the nascent state of Israel.[37]

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Of these the best available evidence points tentatively to Nazi gold. We shall see that Helliwell acquired a banking partner in Florida, E. P. Barry, who had been the postwar head of OSS Counterintelligence (X-2) in Vienna, which oversaw the recovery of SS gold in Operation Safehaven.[38] And it is not questioned that in December 1947 the National Security Council (NSC) created a Special Procedures Group "that, among other things, laundered over $10 million in captured Axis funds to influence the [Italian] election [of 1948]."[39] Note that this authorization was before NSC 10/2 of June 18, 1948, first funded covert operations under what soon became OPC.

What matters is that, for some time before the first known official U.S. authorizations in 1949–1950, funds were reaching Helliwell's former OSS China ally Willis Bird in Bangkok. There Bird ran a trading company supplying arms and materiel to Phin Chunhawan and Phin's son-in-law, Phao Sriyanon, who in 1950 became director-general of the Thai Police Department. By 1951 OPC funds for Bird were being handled by a CIA proprietary firm, Sea Supply Inc., which had been incorporated by Paul Helliwell in his civilian capacity as a lawyer in Miami. As noted earlier, Helliwell also became general counsel for the Miami bank that Meyer Lansky allegedly used to launder proceeds from the Asian drug traffic.

Some sources claim that in the 1940s, Donovan, whose link to the WCC was by 1946 his only known intelligence connection, also visited Bangkok.[40] Stephenson's biographer, William Stevenson, writes that because MacArthur had cut Donovan out of the Pacific during World War II, Donovan "therefore turned Siam [i.e., Thailand] into a base from which to run [postwar] secret operations against the new Soviet threat in Asia."[41]

William Walker agrees that by 1947–1948, the United States increasingly defined for Thailand a place in Western strategic policy in the early cold war. Among those who kept close watch over events were William J. Donovan, wartime head of the OSS, and Willis H. Bird, who worked with the OSS in China. . . . After the war, Bird, . . . still a reserve colonel in military intelligence, ran an import-export house in Bangkok. Following the November [1947 Thailand coup] Bird . . . implored Donovan: "Should there be any agency that is trying to take the place of O.S.S., . . . please have them get in touch with us as soon as possible. By the time Phibun returned as Prime Minister, Donovan was telling the Pentagon and the State Department that Bird was a reliable source whose information about growing Soviet activities in Thailand were credible.[42]

Bird's wishes were soon answered by NSC 10/2 of June 18, 1948, which created the OPC. Washington swiftly agreed that Thailand would play an important role as a frontline ally in the Cold War. In 1948, U.S. intelligence units began arming and training a separate army under General Phao, which became known as the Thai Border Police (BPP). The relationship was cemented in 1949 as the communists captured power in China. The generals demonstrated their anticommunist credentials by echoing U.S. propaganda and killing alleged leftists. At midyear a CIA

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> [OPC] team arrived in Bangkok to train the BPP for covert support of the Kuomintang in its continuing war against the Chinese communists on the Burma-China border. Later in the year the United States began to arm and train the Thai army and to provide the kingdom general economic aid.[43]

> Walker notes how the collapse of the KMT forces in China led Washington to subordinate its antinarcotics policies to the containment of communism: By the fall of 1949 . . . reports reached the State Department about the inroads communism was making within the Chinese community in Thailand as well as the involvement of the Thai army with opium. Since the army virtually controlled the nature of Thailand's security relationship with the West, foreign promotion of opium control had to take a back seat to other policy priorities.[44]

On March 9, 1950, when Truman was asked to approve $10 million in military aid for Thailand, Acheson's supporting memo noted that $5 million had already been approved by Truman for the Thai "constabulary."[45] This presumably came from the OPC's secret budget: I can find no other reference to the $5 million in State Department published records, and two years later a U.S. aid official in Washington, Edwin Martin, wrote in a secret memo that the Thai Police force under General Phao "is receiving no American *military* aid."[46]

Cliques, the Mob, the KMT, and Operation Paper

The U.S. decision to back the KMT troops—the so-called Li Mi project or Operation Paper—was made at a time of intense interbureaucratic conflict and even conspiratorial disagreement over official U.S. policy toward the new Chinese People's Republic. As the historian Bruce Cumings has shown, both the KMT-financed China Lobby and many Republicans, like Donovan, as well as General MacArthur in Japan, were furious at the failure of Secretary of State Dean Acheson to continue support for Chiang Kai-shek after the founding of the People's Republic in October 1949.[47] Up until the June 1950 outbreak of war in Korea, Acheson refused to guarantee even the security of Taiwan.[48]

Chennault with Madam & General Chiang Kai-Shek

Claire Chennault with Chiang Kai-shek and Mme Chiang

The key public lobbyist for backing the KMT in Burma and Yunnan was General Claire Chennault, original owner of the airline the OPC took over. Chennault deserves to be remembered as an early postwar proponent of using off-the-books assets: his "Chennault Plan" envisaged essentially self-financing KMT armies, backed by a covert U.S. logistical airline, in support of U.S. foreign policy.[49]

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Because by this time Chennault was serving in Washington as Chiang Kai-shek's military representative, he was viewed by U.S. officials with increasing suspicion if not distaste.[50] Yet his longtime associate, friend, and business ally Thomas ("Tommy the Cork") Corcoran, who after 1950 was a registered foreign agent for Taiwan, managed to put Chennault in contact with senior OPC officers, including Richard Stilwell, chief of the Far East Division of the OPC.[51]

There were other private interests with a stake in Operation Paper. In 1972 I noted that the two principal figures inside the United States who backed Chennault, Paul Helliwell and Thomas Corcoran, were both attorneys for the OSS-related insurance companies of C. V. Starr in the Far East.[52] (Starr, who had operated out of Shanghai before the war, helped OSS China establish a network both there and globally.[53]) The C. V. Starr companies (later the massive AIG group) allegedly had "close financial ties" with Chinese Nationalists in Taiwan,[54] and in any case they would of course have had a financial interest both in restoring the KMT to power in China and in consolidating a Western presence in Southeast Asia.[55] At the time of Corcoran's lobbying, Starr's American International Assurance Company was expanding from its Hong Kong base to Malaysia, Singapore, and Thailand. In 2006, that company was "the No. 1 life insurer in Southeast Asia."[56] And its parent AIG, before AIG's spectacular collapse in 2008, was listed by Forbes as the eighteenth-largest public company in the world.

Corcoran was also the attorney in Washington for Chiang Kai-shek's brother-in-law T. V. Soong, the backer of the China Lobby who some believed to be the "wealthiest man in the world."[57] It is likely that Soong and the KMT helped develop the Chennault Plan. A complementary plan for supporting the remnants of General Li Mi's KMT armies in Burma was developed in 1949 by the army's civilian adviser, Ting Tsuo-shou, after discussions on Taiwan with Chiang Kai-shek.[58]

Like Chiang Kai-shek, Chennault also had support from Henry Luce of Time-Life in America and both General MacArthur and his intelligence chief, Major General Charles Willoughby, in Japan. Their plans for maintaining and reestablishing the KMT in China were in 1949 already beginning to diverge significantly from those of Truman and his State Department.[59] Former OSS Chief William Donovan, now outside the government and promoting the KMT, also promoted both Chiang Kai-shek and Chennault,[60] as did Chennault's wartime associate William Pawley, a freewheeling overseas investor who, like Helliwell, reputedly had links to mob drug traffickers.[61]

Donovan's support for Chennault was part of his general advocacy of rollback against communism and his interest in guerrilla armies—a strongly held ideology that, as we shall see, led to his appointment as ambassador to Thailand in 1953. His intellectual ally in this was the former Trotskyite James Burnham, another protégé of Henry Luce by then in the OPC (and a prototype of the neoconservatives half a century later). Burnham wrote in his book ("published with great Luce fanfare in early 1950") of "rolling back" communism and of supporting Chiang Kai-shek to, at some future point, "throw the Communists back out of China."[62]

The Belated Authorization of Operation Paper

In the midst of this turmoil, OPC Chief Frank Wisner began in the summer of 1948 to refinance and eventually take over Chennault's airline, CAT, which Chiang Kai-shek's friend Claire Chennault had organized with postwar UN relief funds to airlift supplies to the KMT armies in China. Wisner "negotiated with Corcoran for the purchase of CAT [in which

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Corcoran as well as Chennault had a financial interest]. In March [1950], using a 'cutout' banker or middleman, the CIA paid CAT $350,000 to clear up arrearages, $400,000 for future operations, and a $1 million option on the business."[63]

Richard Stilwell, Far Eastern chief of the OPC and the future overseer of Operation Paper, dickered with Corcoran over the purchase price.[64] The details were finalized in March 1950, shortly before the outbreak of the Korean War in June generated for CAT Inc. a huge volume of new business.[65] Alfred Cox, OPC station chief in Hong Kong and the chief executive officer (CEO) of CAT Inc., directed the supply operation to Li Mi.[66]

According to an unfavorable assessment by Lieutenant Colonel William Corson, a former marine intelligence officer on special assignment with the CIA, the OPC,

> in late summer 1950, recruited (or rather hired) a batch of Chinese Nationalist soldiers [who] were transported by the OPC to northern Burma, where they were expected to launch guerrilla raids into China. At the time this dubious project was initiated no consideration was given to the facts that (a) Truman had declined Chiang's offer to participate in the Korean War . . . (b) Burmese neutrality was violated by this action; and (c) the troops provided by Chiang were utterly lacking in qualifications for such a purpose.[67]

Shortly afterward, in October 1950, Truman appointed a new and more assertive CIA director, Walter Bedell Smith. Within a week Smith took the first steps to make the OPC and Wisner answerable for the first time, at least on paper, to the CIA.[68] Smith ultimately succeeded in his vigorous campaign to bring Wisner and the OPC under his control, partly by bringing in Allen Dulles to oversee both the OPC and the CIA's rival Office of Special Operations (OSO, the successor to the Strategic Service Unit).[69] Yet in November 1950, only one month after his appointment as director, Smith tried and failed to kill Operation Paper when the proposal was belatedly submitted by the OPC (backed by the Joint Chiefs) for Truman's approval:

> The JCS [Joint Chiefs of Staff] in April 1950 issued a series of recommendations, including a programme of covert assistance to local anti-communist forces. This proposal received additional stimulus following the Korean War and especially after Communist China entered that conflict. Shortly after the People's Republic's (PRC's) intervention, the Central Intelligence Agency's (CIA's) Office of Policy Co-ordination (OPC) proposed a programme to divert the PRC's military from the Korean peninsula. The plan called for U.S. aid to the 93rd, followed by an invasion of Yunnan by Li's men. Interestingly, the CIA's director, Walter Bedell Smith, opposed the plan, considering it too risky. But President Harry S. Truman saw merit in the OPC proposal and approved it. The programme became known as Operation Paper.[70]

It is not clear whether, when Truman approved Operation Paper in November 1950, his secretary of state, Dean Acheson, was even aware of it. It is a matter of record that the U.S. embassies in Burma and Thailand knew nothing of the authorization until well into 1951, when

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they learned of it from the British and eventually from Phibun himself.[71] The scholar Victor Kaufman reports that he "was unable to turn up any evidence at the Truman Library, the National Archives or in the volumes of FRUS [*Foreign Relations of the United States*] to determine whether in fact Acheson knew of the operation and, if so, at what point."[72]

Both MacArthur and Chennault had ambitious designs for the CAT-supported KMT troops in Burma. With the outbreak of the Korean War in 1950, CAT played an important role in airlifting supplies to the U.S. troops.[73] But both MacArthur and Chennault spoke publicly of trapping communist China in what Chennault called a "giant pincers"—simultaneous attacks from Korea and from Burma.[74]

The OPC kicked in by helping to build up a major airstrip at the chief KMT base at Mong Hsat, Burma, followed by a regular shuttle transport of American arms.[75] However, Li Mi's attempts to invade Yunnan in 1951 and 1952 (three according to McCoy, seven according to Lintner) were swiftly repelled by local militiamen with heavy casualties after advances of no more than sixty miles.[76] CIA advisers accompanied the incursions, and some of them were killed.[77]

American journalists and historians like to attribute the CIA's Operation Paper, in support of Li Mi and the opium-growing 93rd Division in Burma, to President Truman's authorization in November 1950, following the outbreak of the Korean War in June 1950 and above all the Chinese crossing of the Yalu River.[78] But as historian Daniel Fineman points out, Truman was merely authorizing an arms shipments program that had already begun months earlier:

> Shortly after the writing of the [April 1950] JCS memorandum, the United States began supplying arms and matériel to the [KMT] troops. [The Burmese protested in August 1950 that they had discovered in northern Burma an American military officer from the Bangkok embassy in Burma without authorization.[79]] In the fall, the . . . Office of Policy Coordination (OPC) drafted a daring plan for them to invade Yunnan. The CIA's director, Walter Bedell Smith, opposed the risky scheme, but Truman [in November 1950] rejected his warning. . . . In January 1951, the CIA initiated its project, code-named Operation Paper. It aimed to prepare the Kuomintang (KMT) forces in Burma for an invasion of Yunnan.[80]

The futility of Li Mi's military jabs against China was obvious to Washington by 1952. Yet Federal Bureau of Narcotics (FBN) Chief Harry Anslinger continued to cover up the Li Mi-Thai drug connection for the next decade. The annual trafficking reports of the FBN recorded one seizure of distinctive Thai Government Monopoly opium in 1949 and on "several occasions" more in 1950. But after the initiation of Operation Paper in 1951, the FBN over a decade listed only one seizure of Thai drugs (from two seamen), until it began reporting Thai drug seizures again in 1962.[81]

Meanwhile, Anslinger, who "had established a working relationship with the CIA by the early 1950s . . . blamed the PRC [People's Republic of China, as opposed to their enemy the KMT] for orchestrating the annual movement of some two hundred to four hundred tons of opium from Yunnan to Bangkok."[82] This protection of the world's leading drug traffickers (who were also CIA proxies) did not cease with Anslinger, nor even when the FBN, by then

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thoroughly corrupted from such cover-ups, was replaced in 1968 by the Bureau of Narcotics and Dangerous Drugs and finally in 1973 by the Drug Enforcement Administration. As I write in 2010, the U.S. media are blaming the drug traffic in Afghanistan on the Taliban-led insurgency, but UN statistics (examined later in this book) suggest that insurgents receive less than 12 percent of the total drug revenues in Afghanistan's totally drug-corrupted economy.

Harry Anslinger

As we saw in the previous chapter, Anslinger's tenure at the FBN was when the CIA also forged anticommunist drug alliances in Europe in the 1940s with the Italian Mafia in Sicily and the Corsican Mafia in Marseilles. The KMT drug support operation was longer lived and had more lasting consequences in America as well as in Southeast Asia. It converted the Golden Triangle of Burma–Thailand–Laos, which before the war had been marginal to the global drug economy, into what was for two decades the dominant opium-growing area of the world.

Did Some People Intend to Develop the Drug Traffic with Operation Paper?

The decision to arm Li Mi was obviously controversial and known to only a few. Some of those backing the OPC's support of a pro-KMT airline and troops may have envisaged from the outset that the 93rd Division would continue, as during the war, to act as drug traffickers. The key figure, Paul Helliwell, may have had a dual interest, inasmuch as he not only was a former OSS officer but also at some point became the legal counsel in Florida for the small Miami National Bank used after 1956 by Meyer Lansky to launder illegal funds.[83] We shall see in the next chapter that Helliwell also went on to represent Phao's drug-financed government in the United States and to receive funds from that source.[84]

It is possible that in the mind of Helliwell, with his still ill-understood links to the underworld and Meyer Lansky, Li Mi's troops were not being used to invade China so much as to restore the war-dislocated international drug traffic that supported the anticommunist KMT and the comprador capitalist activities of its supporters throughout Southeast Asia.[85] (As a military historian has commented, "Li Mi was more Mafia or war lord than Chinese Nationalist. Relying on his troops to bring down Mao was an OPC pipe dream."[86])

It is possible also that other networks associated with the drug traffic became part of the infrastructure of the Li Mi operation. This question can be asked of some of the ragtag group of pilots associated with Chennault's airlines in Asia, some of whom were rumored to have seized this opportunity for drug trafficking.[87] According to William R. Corson (a marine colonel assigned at one point to the

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CIA),

> The opium grown by the ChiNat guerrillas . . . was transported by OPC contract aircraft from the forward base to Bangkok for sale to buyers from the various "connections." The pilots who flew these bushtype aircraft and often served as agents or go-betweens with the guerrilla leaders and the opium buyers were a motley band of men. Some were ex-Nazis, others part of the band of expatriates who emerge in foreign countries following any war.[88]

The FBN by this time was aware that Margaret Chung, the attending physician to the pilots of Chennault's wartime airline, was involved with Bugsy Siegel's friend Virginia Hill "in the narcotic traffic in San Francisco."[89] During World War II, when the Office of Naval Intelligence through the OSS approached Dr. Chung for some specific intelligence on China, she "volunteered that she could supply detailed information . . . 'from some of the smugglers in San Francisco.'"[90]

One has to ask what was in the mind of Chennault. Chennault himself was once investigated for smuggling activities, "but no official action was taken because he was politically untouchable."[91] I have no reason to suspect that Chennault wished to profit personally from the drug traffic. But his objective in opposing Chinese communists was to split off ethically divergent provinces like Xinjiang, Tibet, and above all Yunnan.

Chennault's top priority was Yunnan, with its long-established Haw (or Hui) Muslim minority, many of whom (especially in southwestern Yunnan) traditionally dominated the opium trade into Thailand.[92] The troops of the reconstituted 93rd Division were principally Haws from Yunnan.[93] To this day, one Thai name for the KMT Yunnanese minority in northern Thailand is *gaan beng gaaosipsaam* ("93rd Division"), and visitors to the former base of the KMT general Duan Xiwen in Thailand (Mae Salong) are struck by the mosque one sees there.[94]

I suspect that Chennault may have known that none of the elements in the reconstituted 93rd Division "had made great records of military accomplishment" during World War II,[95] that the 93rd had been engaged in drug trafficking when based at Jinghong during World War II,[96] and that when the 93rd Division moved into northern Burma and Laos in 1946, it was "in reality, to seize the opium harvest there."[97] That the 93rd Division settled into managing the postwar drug traffic out of Burma should have come as no surprise. Chennault was close to Madame Chiang Kai-shek, T. V. Soong, and the KMT, which had been supporting itself from opium revenues since the 1930s.[98] Linked to drug trafficking both in Thailand (through the Tai Li spy network) and in America, the KMT, after expulsion from Yunnan, desperately needed a new opium supply to maintain its contacts with the opiumtrafficking triads and other former assets of Tai Li in Southeast Asia.[99]

From the time of the inception of the KMT government in the 1920s, KMT officials had been caught smuggling opium and heroin into the United States.[100] As noted earlier, an FBN supervisor reported in 1946 that "in a recent Kuomintang Convention in Mexico City a wide solicitation of funds for the future operation of the opium trade was noted." In July 1947 the State Department reported that the Chinese Nationalist government was "selling opium in a desperate attempt to pay troops still fighting the Communists."[101] The *New York Times* reported on July 23, 1949, the seizure in Hong Kong of twenty-two pounds of heroin that had arrived from a CIA-supplied Kuomintang outpost in Kunming.[102] But the loss of Yunnan in

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1949–1950 meant that the KMT would have to develop a new source of supply.

The key to the survival of the KMT was of course its establishment and protection after 1949 on the island of Taiwan. Chennault and his airline CAT helped move the KMT leadership and its resources to its new base and to deny the new Chinese People's Republic the Chinese civil air fleet (which became embroiled in a protracted Hong Kong legal battle where CAT was represented by William Donovan).[103] By 1950 one of Chennault's wartime pilots, Satiris (or Soteris or Sortiris) Fassoulis ran a firm, Commerce International China, Inc., that privately supplied arms and military advisers to Chiang Kai-shek on Taiwan. Bruce Cumings speculates that he may have done so for the OPC at a time when Acheson was publicly refusing to commit the United States to the defense of Taiwan.[104]

Finally, all those handling Operation Paper in and for the OPC (Fitzgerald, Helliwell, Joost, CAT Inc. CEO Alfred Cox, and Bird) had had experience in the area during World War II. If they had not wanted Li Mi and CAT to be- come involved in restoring the KMT drug traffic, it would have been imperative for them to ensure that the KMT on Taiwan had no control over CAT's operations. But Wisner and Helliwell did the exact opposite: when they took over the CAT airline, they gave majority control of the CAT planes to the KMT-linked Kincheng Bank on Taiwan.[105] Thereafter for many years CAT planes would fly arms into Li Mi's camp for the CIA and then fly drugs out for the KMT.

The opium traffic may well have seemed attractive to OPC for strategic as well as financial reasons. As Alfred McCoy has observed, Phao's pro-KMT activities in Thailand "were a part of a larger CIA effort to combat the growing popularity of the People's Republic among the wealthy, influential overseas Chinese community throughout Southeast Asia."[106] I have noted elsewhere that the KMT reached these communities in part through triads and other secret societies (especially in Malaya) that had traditionally been involved in the opium traffic. Thus, the restoration of an opium supply in Burma to replace that being lost in Yunnan had the result of sustaining a social fabric and an economy that was capitalist and anticommunist.[107]

I would add today that the opium traffic was an even more important element in an anticommunist strategy for Southeast Asia as a source of income. We have already seen that for a century, the Thai state had relied on its revenues from the state opium monopoly; in 1953 "the Thai representative at the April CND [Commission on Narcotic Drugs] session had admitted that his country could not afford to give up the revenue from the opium business."[108]

Just as important was the role of opium profits in promoting capitalism among the Chinese businessmen of Southeast Asia (the agenda of Sir William Stephenson and the WCC). Whether the Chinese who dominated business in the region would turn their allegiance to Beijing depended on the availability of funds for alternative business opportunities. Here Phao's banker, Chin Sophonpanich, became a source of funds for top anticommunist businessmen not only in Thailand but also in Malaysia and Indonesia:

> Chin Sophonpanich created the largest bank in south-east Asia and one that was extremely profitable. A report by the International Monetary Fund in 1973 claimed that Bangkok Bank's privileged position allowed it to make returns on its capital in excess of 100 per cent a year (a claim denounced by Chin's lieutenants). What was not in dispute was that the bank's bulging deposit base could not be lent out at optimum rates in

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> Thailand alone. This is where Chin revolutionised the south-east Asian banking scene. He personally travelled between Hong Kong, Singapore, Kuala Lumpur and Jakarta, identifying and courting the new generation of putative post colonial tycoons. . . . Chin banked the key godfathers outside Hong Kong—Robert Kuok in Malaysia, Liem Sioe Liong [Sudono Salim] in Indonesia, the Chearavanonts in Thailand—as well as other players in Singapore and Hong Kong. . . . Chin was closely linked to the Thai heroin trade through his role as personal financier to the narcotics kingpin Phao Sriyanon, and to other politicians involved in running the drug business.[109]

Chin thus followed the example of the Khaw family opium farmers in nineteenth-century Siam, whose commercial influence also eventually "extended across Siam's southern borders into Malaya and the Netherlands East Indies" into legitimate industries, such as tin mines and a shipping company.[110]

America had another reason to accept Li Mi's smuggling activities: as a source of badly needed Burmese tungsten. According to Jonathan Marshall, there is fragmentary evidence that OPC/CIA support for his remnant army was "also to facilitate Western control of Burma's tungsten resources."[111]

Creation of an Off-the-Books Force without Accountability

The OPC aid to Thai police greatly augmented the influence of both Phao Sriyanon, who received it, and Willis Bird, the OSS veteran through which it passed and who was already a supplier for the Thai military and police. Seeing the gap between the generals who had organized the military coup of 1947 and U.S. Ambassador Stanton, who still worked to support civilian politicians, Bird worked with Phao and the generals of the 1947 Coup Group to create in 1950 a secret "Naresuan Committee." Bypassing the U.S. embassy altogether, the Naresuan Committee created a parallel, parastatal channel for U.S.–Thai governmental relations between OPC and Phao's BPP:

> Bird organized in 1950 a secret committee of leading military and political figures to develop an anticommunist strategy and, more importantly, lobby the United States for increased military assistance. The group, dubbed the Naresuan Committee, included police strongman Phao Sriyanon, Sarit Thanarat, Phin Choonhawan, Phao's father-in-law, air force chief Fuen Ronnaphakat, and Bird's [Anglo-Thai] brother-in-law, [air force colonel] Sitthi [Savetsila, later Thailand's foreign minister for a decade]. . . . Bird and the generals established their committee to bypass the ambassador and . . . work through [Bird's] old OSS buddies now employed by the CIA [sic, i.e., OPC].[112]

Thomas Lobe, ignoring Bird, writes that it was the "Thai military clique" who organized the committee. But from his own prose we learn that the initiative may have been neither theirs nor Bird's alone but in implementation of a new strategy of support to the KMT in Burma, designed by the OPC and JCS in Washington:

> A high-ranking U.S. military officer and a CIA [OPC] official came to Bangkok [in 1950] to review the

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> political situation.[113] . . . Through the "[Naresuan] Anti-Communist Committee," secret negotiations ensued between Phao and the CIA [OPC]. The U.S. representative explained the need for a paramilitary force that could both defend Thai borders and cross over into Thailand's neighbors— Vietnam, Laos, Burma, Cambodia, and China—for secret missions. . . . The CIA's new police were to be special: an elite force outside the normal chain of command of both the Thai security bureaucracy and the TNPD [Thai National Police department]. Phao and Phibun agreed to this arrangement because of the increase in armed power that this new national police meant vis-à-vis the armed forces.[114]

This was in keeping with the JCS call in April 1950 for a new "program of special covert operations designed to interfere with Communist activities in Southeast Asia," noting "the evidences of renewed vitality and apparent increased effectiveness of the Chinese Nationalist forces."[115]

Action was taken immediately:

> [Bird's] CIA [i.e., OPC] contacts sent an observer to meet the committee and, impressed with the resolve the Thais manifested, got Washington to agree to a large covert assistance program. Because they considered the matter urgent, *planners on both the Thai and American sides decided to forgo a formal agreement on the terms of the aid*. Instead, Paul Helliwell, an OSS friend of Bird [from China] now practicing law in Florida [as well as military reserve officer and OPC operative], incorporated a dummy firm in Miami named the Sea (i.e. South-East Asia) Supply Company as a cover for the operation. The CIA [OPC], the agency on the American end responsible for the assistance, opened a Sea Supply office in Bangkok. . . . By the beginning of 1951, Sea Supply was receiving arms shipments for distribution. . . . The CIA [OPC] appointed Bird's firm general agent for Sea Supply in Bangkok.[116]

Sea Supply's arms from Bird soon reached not only the Thai police and BPP but also, starting in early 1951, the KMT 93rd Division in Burma, which was still supporting itself, as during the war, from the opium traffic.[117] General Li Mi, the postwar commander of the 93rd Division, would consult with Bird and Phao in Bangkok about the arms that he needed for the KMT base at Mong Hsat in Burma and that had already begun to reach him months before the creation of the Bangkok Sea Supply office in January 1951.[118] The airline supplying the KMT base at Mong Hsat in Burma from Bangkok was Helliwell's other OPC proprietary, CAT Inc., which in 1959 changed its name to become the well-known Air America. The deliberately informal arrangement for Sea Supply served to mask the sensitive arms shipments to a KMT opium base.[119]

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Air America U-10D Helio Courier aircraft in Laos on a covert mountaintop landing strip (LS) "Lima site"

In the complex legal takeover of Chennault's airline, his assets developed into three separate components: planes (the Taiwanese civilian airline In the complex legal takeover of Chennault's airline, his assets developed into three separate components: planes (the Taiwanese civilian airline Civil Air Transport or CATCL), pilots (later Air America), and ground-support operations (Air Asia). Of these the planes only 40 percent were owned by the CIA; the remaining 60 percent continued to be owned by KMT financiers (with alleged links to T.V. Soong and Mme. Chiang K ai-shek), who had relocated to Taiwan and were associated with the Kincheng Bank.[120] The Kincheng Bank was under the control of the so-called Political Science Clique of the KMT, whose member Chen Yi was the first postwar KMT governor of Taiwan.[121]

The OPC's organizational arrangements for its proprietary CAT, which left 60 percent of the company owning the CAT planes in KMT hands, guaranteed that CAT's activities were immune to being reined in by Washington.[122]

In fact Helliwell, Bird, and Bird's Thai brother-in-law Sitthi Savetsila all avoided the U.S. embassy and instead plotted strategy for the KMT armies at the Taiwanese embassy. There the real headquarters for Operation Paper was the private office of Taiwanese Defense Attaché Chen Zengshi, a graduate of China's Whampoa Military Academy.[123]

Bird's energetic promotion of Phao, precisely at a time when the U.S. embassy was trying to reduce Phao's corrupt influence, led to a 1951 embassy memorandum of protest to Washington about Bird's activities. "Why is this man Bird allowed to deal with the Police Chief [Phao]?" the memo asked.[124] The question, for which there is no publicly recorded reply, was an urgent one. Bird's backing of the so-called Coup Group (Phin Choonhavan, Phao Sriyanon, and Sarit Thanarat), reinforced by the obvious U.S. support for Bird through Operation Paper and Sea Supply, encouraged these military men, in their November 1951 "Silent Coup," to defy Stanton, dissolve the Thai parliament, and replace the postwar Thai constitution with one based on the much more reactionary constitution of 1932.[125]

The KMT Drug Legacy for Southeast Asia

When the OPC airline CAT began its covert flights to Burma in the 1950s, the area produced about eighty tons of opium a year. In ten years' time, production had at least quadrupled, and at one point during the Vietnam War, the output from the Golden Triangle reached 1,200 tons a year. By 1971, there were also at least seven heroin labs in the region, one of which, close to the CIA base of Ban Houei Sai in Laos, produced an estimated 3.6 tons of heroin a year.[126]

The end of the Vietnam War did not interrupt the flow of CIA-protected heroin to America from the KMT remnants of the former 93rd Division, now relocated in northern Thailand under Generals Li Wenhuan and Duan Xiwen (Tuan Hsi-wen). The two generals, by then officially integrated into the defense forces of Thailand, still enjoyed a special

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relationship to and protection from the CIA. With this protection, Li Wenhuan, from his base in Tam Ngob, became, according to James Mills, "one of the most powerful narcotics traffickers on earth . . . controlling the opium from which is refined a major percentage of heroin entering the United States."[127]

From the very outset of Operation Paper, the consequences were felt in America itself. As I have shown elsewhere, most of the KMT-Thai opium and heroin was distributed in America by KMT-linked tongs with long-term ties to the American mafia.[128] Thus, Anslinger's rhetoric served to protect the primary organized crime networks distributing Asian narcotics in America. Far more than the CIA drug alliances in Europe, the CIA's drug project in Asia contributed to the drug crisis that afflicted America during the Vietnam War and from which America still suffers. Furthermore, U.S. protection of leading KMT drug traffickers led to the neutralization of domestic drug enforcement at a high level. It has also inflicted decades of militarized oppression on the tribes of eastern Myanmar (Burma), perhaps the principal victims of this story.

By the end of 1951, Truman, convinced that the KMT forces in Burma were more of a threat to his containment policy than an asset, "had come to the conclusion that the irregulars had to be removed."[129] Direct U.S. support to Li Mi ended, forcing the KMT troops to focus even more actively on proceeds from opium, soon supplemented by profits from morphine labs as well. But nevertheless, in June 1952, as we shall see, 100 Thai graduates from the BPP training camp were in Burma training Li Mi's troops in jungle warfare.[130] After a skirmish in 1953, the Burma army recovered the corpses of three white men, with no identification except for some documents with addresses in Washington and New York.[131] Operation Paper was by now leading a life of its own, independent not just of Ambassador Stanton but even of the president.

A much-publicized evacuation of troops to Taiwan in 1953–1954 was a charade, despite five months of strenuous negotiations by William Donovan, by then Eisenhower's ambassador in Thailand. Old men, boys, and hill tribesmen were airlifted by CAT from Thailand and replaced by fresh troops, new arms, and a new commander.[132]

The fiasco of Operation Paper led in 1952 to the final absorption of the OPC into the CIA. According to R. Harris Smith,

> Bedell Smith . . . summoned the OPC's Far East director, Richard Stilwell, and, in the words of an agency eyewitness, gave him such a "violent tongue lashing" that "the colonel went down the hall in tears." . . . [T]he Burma debacle was the worst in a string of OPC affronts that confirmed his decision to abolish the office. In 1952 he merged the OPC with the CIA's Office of Special Operations [to create a new Directorate of Plans].133

What precipitated this decision was an event remembered inside the agency as the "Thailand flap." Its precise nature remains unknown, but central to it was a drugs-related in-house murder. Allen Dulles's biographer recounts that in 1952 Walter Bedell Smith "had to send top officials of both clandestine branches [the CIA's OSO and OPC] out to untangle a mess of opium trading under the cover of efforts to topple the Chinese communists."[134] (I heard from a former CIA officer that an OSO officer investigating drug flows through Thailand was murdered by an OPC officer.[135]) Years later, at a secret Council on Foreign Affairs meeting in 1968 to review official intelligence operations, former CIA officer Richard Bissell

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referred back to the CIA–OPC flap as "a total disaster organizationally."[136]

But what was an organizational disaster may be seen as having benefited the political objectives of the wealthy New York Republicans in OPC (including Wisner, Fitzgerald, Burnham, and others) who constituted an overworld enclave committed to rollback inside the Truman establishment committed to containment. (Recall that Wisner had surrounded himself in the OPC with men who, in the words of Wisner's ex-wife, "had money enough of their own to be able to come down" to Washington.[137]) This enclave was already experimenting with attempts to launch the rollback policy that Eisenhower and John Foster Dulles would call for in the 1952 election campaign.[138]

Truman, understandably and rightly, mistrusted this enclave of overworld Wall Street Republicans that the CIA and OPC had injected into his administration. The four directors Truman appointed to oversee central intelligence—Sidney Souers, Hoyt Vandenberg, Roscoe Hillenkoetter, and Walter Bedell Smith—were all from the military and all (like Truman himself) from the central United States.[139] This was in striking contrast to the six known deputy directors below them, whose background was that of New York City or (in one case) Boston, law and/or finance, and (in all cases but one) the Social Register.[140]

But Bedell Smith, Truman's choice to control the CIA, inadvertently set the stage for overworld triumph in the agency when, in January 1951, he brought in Allen Dulles (Wall Street Republican, Social Register, and OSS) "to control Frank Wisner."[141] And with the Republican election victory of 1952, Bedell Smith's intentions in abolishing the OPC were completely reversed. Desmond Fitzgerald of the OPC, who had been responsible for the controversial Operation Paper, became chief of the CIA's Far East Division.[142] American arms and supplies continued to reach Li Mi's troops, no longer directly from OPC but now indirectly through either the BPP in Thailand or the KMT in Taiwan.

The CIA support for Phao began to wane in 1955–1956, especially after a staged BPP seizure of twenty tons of opium on the Thai border was exposed by a dramatic story in the *Saturday Evening Post*.[144] But the role of the BPP in the drug trade changed little, as is indicated in a recent report from the Asian Human Rights Commission in Hong Kong. Meanwhile, for at least seven years, the BPP would "capture" KMT opium in staged raids, and turn it over to the Thai Opium Monopoly. The "reward" for doing so, one-eighth the retail value, financed the BPP.[143]

> The police force that exists in Thailand today is for all intents and purposes the same one that was built by Pol. Gen. Phao Sriyanond in the 1950s. . . . It took on paramilitary functions through new special units, including the border police. It ran the drug trade, carried out abductions and killings with impunity, and was used as a political base for Phao and his associates. Successive attempts to reform the police, particularly from the 1970s onwards, have all met with failure despite almost universal acknowledgment that something must be done.[145]

The last sentence could equally be applied to America with respect to the CIA's involvement in the global drug connection.

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https://doi.org/10.1017/S1557466010010491 Published online by Cambridge University Press

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Recommended citation: Peter Dale Scott, "Operation Paper: The United States and Drugs in Thailand and Burma," The Asia-Pacific Journal, 44-2-10, November 1, 2010.

Notes

[1] William O. Walker III, "Drug Trafficking in Asia," *Journal of Interamerican Studies and World Affairs* 34, no. 3 (1992): 204.

[2] William Peers [OSS/CIA] and Dean Brellis, *Behind the Burma Road* (Boston: Little, Brown, 1963), 64.

[3] Burton Hersh, *The Old Boys: The American Elite and the Origins of the CIA* (New York: Scribner's, 1992), 300.

[4] Peter Dale Scott, "Mae Salong," in *Mosaic Orpheus* (Montreal: McGill-Queen's University Press, 2009), 45.

[5] Peter Dale Scott, "Wat Pa Nanachat," in *Mosaic Orpheus*, 56.

[6] Note Omitted.

[7] I write about this practice in *Drugs, Oil, and War: The United States in Afghanistan, Colombia, and Indochina* (Lanham, MD: Rowman & Littlefield, 2003).

[8] There are analogies also with the history of U.S. involvement in Iraq, though here the analogies are not so easily drawn. The most relevant point is that U.S. success in the defense of Kuwait during the 1990–1991 Gulf War once again produced internal pressures, dominated by the neoconservative clique and the Cheney–Rumsfeld–Project for the New American Century cabal, which ultimately pushed the United States into another rollback campaign, the current invasion of Iraq itself.

[9] G. William Skinner, *Chinese Society in Thailand: An Analytical History* (Ithaca, NY: Cornell University Press, 1957), 166–67; Alfred W. McCoy, *The Politics of Heroin: CIA Complicity in the Global Drug Trade* (Chicago: Lawrence Hill Books/Chicago Review Press, 2003), 101; Bertil Lintner, *Blood Brothers: The Criminal Underworld of Asia* (New York: Palgrave Macmillan, 2002), 234.

[10] Carl A. Trocki, "Drugs, Taxes, and Chinese Capitalism in Southeast Asia," in *Opium Regimes: China, Britain, and Japan, 1839–1952*, ed. Timothy Brook and Bob Tadashi Wakabayashi (Berkeley: University of California Press, 2000), 99.

[11] McCoy, *The Politics of Heroin, 102*; James C. Ingram, *Economic Change in Thailand, 1850–1970* (Stanford, CA: Stanford University Press, 1971), 177.

[12] Skinner, *Chinese Society in Thailand*, 166–67, 236–44, 264–65.

[13] Cf. Robert Maule, "British Policy Discussions on the Opium Question in the Federated Shan States, 1937–1948," *Journal of Southeast Asian Studies* 33 (June 2002): 203–24.

[14] One often reads that the Northern Army invasion of the Shan states was in support of the Japanese invasion of Burma. In fact, the Japanese army (which may have had its own designs on Shan opium) refused for some months to allow the Thai army to move until the refusal was overruled for political reasons by officials in Tokyo. See E. Bruce Reynolds, *Thailand and Japan's Southern Advance: 1940–1945* (New York: St. Martin's, 1994), 115–17.

[15] McCoy, *The Politics of Heroin*, 105. Cf. E.

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Bruce Reynolds, "'International Orphans'—The Chinese in Thailand during World War II," *Journal of Southeast Asian Studies* 28 (September 1997): 365–88: "In an effort to distance himself from the Japanese, Premier Phibun initiated secret contacts with Nationalist China through the Thai army in the Shan States and developed a scheme to transfer the capital to the northern town of Petchabun with the idea of ultimately turning against the Japanese and linking up militarily with Nationalist China." Under orders from Thai Premier Phibun, rapprochement of the Northern Army in Kengtung with the KMT began in January 1943 with a symbolic release of prisoners followed by a cease fire ("Thailand and the Second World War").

[16] E. Bruce Reynolds, *Thailand's Secret War: The Free Thai, OSS, and SOE during World War II* (Cambridge: Cambridge University Press, 2005), 170–71.

[17] McCoy, *The Politics of Heroin*, 162–63, citing Archimedes L. A. Patti, *Why Vietnam* (Berkeley: University of California Press, 1980), 216–17, 265, 354–55, 487. Lung Yun's son, Lung Shing, denied to James Mills that his father was a smuggler: "My family's been painted as the biggest drug runner. This is nonsense. The government in the old days put a tax on opium, which is true. It's been doing that for the past hundred years. You can't pin it on my family for that" (James Mills, *The Underground Empire: Where Crime and Governments Embrace* [New York: Dell, 1986], 737).

[18] The directions given by Washington to the OSS mission were to establish contact with Phibun's political enemy, Pridi Phanomyong. However, the mission's leader, Khap Kunchon, was secretly a Phibun loyalist with a history of sensitive missions, and this complication helps to explain Khap's motive and success in promoting the Thai–KMT talks (Nigel J. Brailey, *Thailand and the Fall of Singapore: A Frustrated Asian Revolution* [Boulder, CO: Westview Press, 1986], 100).

[19] Judith A. Stowe, *Siam Becomes Thailand: A Story of Intrigue* (Honolulu: University of Hawai'i Press, 1991), 282. The border itself, a product of Sino–British negotiations in the nineteenth century, was an artifact, dividing the historically connected principalities of the Thai Lü in Sipsongpanna (southern Yunnan) from those of the Thai Yai (Shans) in Burma (Stephen Sparkes and Signe Howell, *The House in Southeast Asia: A Changing Social, Economic and Political Domain* [London: RoutledgeCurzon, 2003], 134; Janet C. Sturgeon, *Border Landscapes: The Politics of Akha Land Use in China and Thailand* [Seattle: University of Washington Press, 2005], 82).

[20] Stowe, *Siam Becomes Thailand*, 282–83. I have discovered no indication as to whether Nicol Smith, the American leader of the OSS mission, was aware of the implications of the talks for the future of the Shan opium trade.

[21] Reynolds, *Thailand's Secret War*, 171, 175–76.

[22] Reynolds, *Thailand's Secret War*, 171; Brailey, *Thailand and the Fall of Singapore*, 100; Maochun Yu, *OSS in China: Prelude to Cold War* (New Haven, CT: Yale University Press, 1996), 117; John B. Haseman, *The Thai Resistance Movement* (Chiang Mai: Silkworm Books, 2002), 62–63; Stowe, *Siam Becomes Thailand*, 282; Nicol Smith and Blake Clark, *Into Siam: Underground Kingdom* (Indianapolis: Bobbs-Merrill, 1946), 146. According to Smith, General Lu himself took responsibility for delivering a message from OSS promising amnesty to the Northern Army; according to Haseman, the letter "was delivered to front-line Thai positions, who passed it in turn to Sawaeng [Thappasut, a former student of Khap's], MG Han [Songkhram], LTG Chira [Wichitsongkhram], and to Marshal Phibul."

[23] Miles, Donovan's first OSS chief for China,

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became more and more closely allied with the controversial Tai Li in a semiautonomous network, SACO. In December 1943 Donovan, alerted to the situation, replaced Miles as OSS China chief with Colonel John Coughlin (Richard Harris Smith, *OSS: The Secret History of America's First Central Intelligence Agency* [Berkeley: University of California Press, 1972], 246–58).

[24] Reynolds, *Thailand's Secret War*, 191–92, citing documents of September 1944, cf. 175; Stowe, *Siam Becomes Thailand*, 270.

[25] Cf. Jonathan Marshall, "Opium, Tungsten, and the Search for National Secu- rity, 1940–52," in *Drug Control Policy: Essays in Historical and Comparative Perspective*, ed. William O. Walker III (University Park: Pennsylvania State University Press, 1992), 96: "Americans . . . knew that [Tai Li's] agents protected Tu's huge opium convoys"; Douglas Valentine, *The Strength of the Wolf: The Secret History of America's War on Drugs* (London: Verso, 2004), 47: "It was an open secret that Tai Li's agents escorted opium caravans from Yunnan to Saigon and used Red Cross operations as a front for selling opium to the Japanese."

[26] After the final KMT defeat of 1949, the 93rd Division received other remnants from the KMT 8th and 26th Armies and a new commander, General Li Mi of the KMT Eighth Army (Bertil Lintner, *Burma in Revolt: Opium and Insurgency since 1948* [Chiang Mai: Silkworm Books, 1999], 111–15).

[27] McCoy, *The Politics of Heroin*, 106, 188–91, 415–20.

[28] Thomas Lobe, *United States National Security Policy and Aid to the Thailand Police* (Denver: Graduate School of International Studies, University of Denver, 1977), 27.

[29] Lintner, *Burma in Revolt*, 192.

[30] Lintner, *Blood Brothers*, 241–44. After Sarit died in 1963, Chin was able to return to Thailand.

[31] William Stevenson, *The Revolutionary King: The True-Life Sequel to The King and I* (London: Constable and Robinson, 2001), 4, 162, 195. The king personally translated Stevenson's biography of Sir William Stephenson into Thai.

[32] Anthony Cave Brown, *The Last Hero: Wild Bill Donovan* (New York: Times Books, 1982), 797; Stevenson, *The Revolutionary King*, 162. In 1970, Thompson's biographer, William Warren, described the funding of Thompson's company in some detail but made no reference to the WCC (William Warren, *Jim Thompson: The Unsolved Mystery* [Singapore: Archipelago Press, 1998], 66–67). Former CIA officer Richard Harris Smith wrote that Thompson was later "frequently reported to have CIA connections" (Smith, OSS, 313n). Joe Trento, without citing any sources, places Jim Thompson at the center of this chapter's narrative: "Jim Thompson . . . (who in fact was a CIA officer) had recruited General Phao, head of the Thai police, to accept the KMT army's drugs for distribution" (Joseph J. Trento, *The Secret History of the CIA* [New York: Random House/Forum, 2001], 346). Thompson disappeared mysteriously in Malaysia in 1967; his sister, who investigated the disappearance, was brutally murdered in America a few months later.

[33] Valentine, *The Strength of the Wolf*, 155. Helliwell in Kunming used opium, which was in effect the local hard currency, to purchase intelligence (*Wall Street Journal*, April 18, 1980).

[34] Sterling Seagrave, *The Marcos Dynasty* (New York: Harper and Row, 1988), 361.

[35] John Loftus and Mark Aarons, *The Secret War against the Jews* (New York: St. Martin's, 1994), 110–11.

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[36] The best evidence of this, the M-fund reported on by Chalmers Johnson, is discussed in the next chapter. Cf. Sterling and Peggy Seagrave, *Gold Warriors: America's Secret Recovery of Yamashita's Gold* (London: Verso, 2003), 3. The Seagraves link Helliwell to the movement of Japanese gold out of the Philippines, and they suggest, by hearsay but without evidence, that both Sea Supply Inc. and Civil Air Transport were thus funded (147–48, 152). Although many of their startling allegations are beyond my competence to assess or even believe, there are at least two that I have verified from my own research. I am persuaded that in the first postwar months when the United States was already supporting and using the SS war criminal Klaus Barbie, the operation was paid by SS funds. And I have seen secret documentary proof that a large sum of gold was indeed later deposited in a Swiss bank account in the name of a famous Southeast Asian leader, as claimed by the Seagraves.

[37] Leonard Slater, *The Pledge* (New York: Pocket Books, 1971), 175. An attorney once made the statement that Burton Kanter (Helliwell's partner in the money-laundering Castle Bank) "was introduced to Helliwell by General William J. Donovan. . . . Kanter denied that. 'I personally never met Donovan. I believe I may have spoken to him once at Paul Helliwell's request'" (Pete Brewton, *The Mafia, CIA and George Bush* [New York: S.P.I. Books, 1992], 296).

[38] In the course of Operation Safehaven, the U.S. Third Army took an SS major "on several trips to Italy and Austria, and, as a result of these preliminary trips, over $500,000 in gold, as well as jewels, were recovered" (Anthony Cave Brown, *The Secret War Report of the OSS* [New York: Berkeley, 1976], 565–66).

[39] Amy B. Zegart, *Flawed by Design: The Evolution of the CIA, JCS, and NSC* (Stanford, CA: Stanford University Press, 1999), 189, citing Christopher Andrew, *For the President's Eyes Only* (New York: HarperCollins, 1995), 172; see also U.S. Congress, Senate, 94th Cong., 2nd sess., Select Committee to Study Governmental Operations with Respect to Intelligence Activities, *Final Report*, April 26, 1976, Senate Report No. 94-755, 28–29.

[40] Stevenson, *The Revolutionary King*, 50. Douglas Valentine claims that in mid-1947, Donovan intervened in Bangkok politics to resolve a conflict between the police and the army over the opium traffic. In 1947, Donovan was a registered foreign agent for the civilian Thai government, representing them in negotiations over the post-war border with French Indochina. Valentine reports that in mid-1947, "Donovan traveled to Bangkok to unite the squabbling factions in a strategic alliance against the Communists" and that the KMT businessmen in Bangkok who managed the flow of narcotics from Thailand to Hong Kong and Macao "benefited greatly from Donovan's intervention" (Valentine, *The Strength of the Wolf*, 70). He notes also that "by mid-1947 Kuomintang narcotics were reaching America through Mexico." What actually happened in November 1947 in Thailand was the ousting of Pridi's civilian government in a military coup. Soon afterward the first of Thailand's postwar military dictators, Phibun, took office. Not long after Phibun's accession, Thailand quietly abandoned the antiopium campaign announced in 1948, whereby all opium smoking would have ended by 1953 (Francis W. Belanger, *Drugs, the U.S., and Khun Sa* [Bangkok: Editions Duang Kamol, 1989], 75–90).

[41] Stevenson, *The Revolutionary King*, 50–51.

[42] William O. Walker III, *Opium and Foreign Policy: The Anglo-American Search for Order in Asia, 1912–1954* (Chapel Hill: University of North Carolina Press, 1991), 184–85, citing letters from Bird, April 5, 1948, and Donovan,

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April 14, 1948 (Donovan Papers, box 73a, Military History Institute, U.S. Army, Carlisle Barracks, Pennsylvania).

[43] Paul M. Handley, *The King Never Smiles: A Biography of Thailand's Bhumipol Adulyadej* (New Haven, CT: Yale University Press, 2006), 105.

[44] Walker, *Opium and Foreign Policy*, 185.

[45] *Foreign Relations of the United States, 1949–1951* (hereinafter FRUS) (Washington, DC: Government Printing Office), vol. 6, 40–41; memo of March 9, 1950, from Dean Acheson, secretary of state.

[46] FRUS, 1952–1954, vol. 12, 651, memo of October 7, 1952, from Edwin M. Martin, special assistant to the secretary for mutual security affairs, to John H. Ohly, assistant director for program, Office of the Director of Mutual Security (emphasis added).

[47] Shortly before his dismissal on April 11, 1951, MacArthur in Tokyo issued a statement calling for a "decision by the United Nations to depart from its tolerant effort to contain the war to the area of Korea, through an expansion of our military operations to its coastal areas and interior bases [to] doom Red China to risk the imminent military collapse" (Lintner, *Blood Brothers*, 237).

[48] Bruce Cumings, *The Origins of the Korean War*, vol. 2 (Princeton, NJ: Princeton University Press, 1990). Donovan in this period became vice chairman of the Committee to Defend America by Aiding Anti-Communist China.

[49] Martha Byrd, *Chennault: Giving Wings to the Tiger* (Tuscaloosa: University of Alabama Press, 1987), 325–28; William M. Leary, *Perilous Missions: Civil Air Transport and CIA Covert Operations in Asia, 1946–1955* (Tuscaloosa: University of Alabama Press, 1984), 67–68; Scott, *Drugs, Oil, and War*, 2.

[50] Jack Samson, *Chennault*, 62.

[51] John Prados, *Safe for Democracy: The Secret Wars of the CIA* (Chicago: Ivan R. Dee, 2006), 125. Cf. *Los Angeles Times*, September 22, 2000: "Newly declassified U.S. intelligence files tell the remarkable story of the ultra-secret Insurance Intelligence Unit, a component of the Office of Strategic Services, a forerunner of the CIA, and its elite counterintelligence branch X-2. Though rarely numbering more than a half dozen agents, the unit gathered intelligence on the enemy's insurance industry, Nazi insurance titans and suspected collaborators in the insurance business. . . . The men behind the insurance unit were OSS head William "Wild Bill" Donovan and California-born insurance magnate Cornelius V. Starr. Starr had started out selling insurance to Chinese in Shanghai in 1919. . . . Starr sent insurance agents into Asia and Europe even before the bombs stopped falling and built what eventually became AIG, which today has its world headquarters in the same downtown New York building where the tiny OSS unit toiled in the deepest secrecy."

[52] Peter Dale Scott, *The War Conspiracy: JFK, 9/11, and the Deep Politics of War* (Ipswich, MA: Mary Ferrell Foundation Press, 2008), 46–47, 263–64. William Youngman, Corcoran's law partner and a key member of Chennault's support team in Washington during and after the war, was by 1960 president of a C. V. Starr company in Saigon.

[53] Smith, *OSS*, 267.

[54] Smith, *OSS*, 267n.

[55] It is possible that other backers of the Chennault Plan allied themselves, like Helliwell, with organized crime. In those early postwar years, one of the C. V. Starr companies, U.S. Life, was the recipient of dubious Teamster insurance contracts through the intervention of the mob-linked business agents Paul and Allan Dorfman (Scott, *Drugs,*

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Oil, and War, 197; Scott, The War Conspiracy, 279). One of the principal supporters of Chennault's airline on the U.S. West Coast, Dr. Margaret Chung, was suspected of drug trafficking after her frequent trips to Mexico City with Virginia Hill, a courier for Meyer Lansky and Bugsy Siegel. See Ed Reid, *The Mistress and the Mafia: The Virginia Hill Story* (New York: Bantam, 1972), 42, 90; Peter Dale Scott, "Opium and Empire: McCoy on Heroin in Southeast Asia," *Bulletin of Concerned Asian Scholars*, September 1973, 49–56.

[56] Ronald Shelp with Al Ehrbar, *Fallen Giant: The Amazing Story of Hank Greenberg and the History of AIG* (Hoboken, NJ: Wiley, 2006), 60.

[57] *Encyclopaedia Britannica*. The money splashed around in Washington by the "China Lobby" was attributed at the time chiefly to the wealthy linen and lace merchant Joseph Kohlberg, the so-called China Lobby man. But it has often been suspected that he was fronting for others.

[58] Lintner, *Burma in Revolt*, 111–14. As early as 1950, Ting was also actively promoting the concept of an Anti-Communist League to support KMT resistance (134, 234). The KMT's ensuing Asian Peoples' Anti-Communist League (later known as the World Anti-Communist League) became intimately involved with support for the KMT troops in Burma. In 1971 the chief Laotian delegate to the World Anti-Communist League, Prince Sopsaisana, was detained with sixty kilos of top-grade heroin in his luggage (Scott, *Drugs, Oil, and War*, 163, 194–95).

[59] MacArthur advised the State Department in 1949 that the United States should place "500 fighter planes in the hands of some 'war horse' similar to Chennault" and further support the KMT with U.S. volunteers (memo of conversation, September 5, 1949, FRUS, 1949, vol. 9, 544–46; Cumings, *The Origins of the Korean War*, 103; Byrd, *Chennault*, 344). Chennault in turn told Senator Knowland that Congress should ap- point MacArthur a supreme commander for the entire Far East.

[60] Donovan suggested that Chennault become minister of defense in a reconstituted KMT government. At some point Chennault and Donovan met privately with Willoughby in Japan (Cumings, *The Origins of the Korean War*, 513).

[61] Valentine, *The Strength of the Wolf*, 260; Cumings, *The Origins of the Korean War*, 133.

[62] Cumings, *The Origins of the Korean War*, 119–21, 796; James Burnham, *The Coming Defeat of Communism* (New York: John Day, 1951), 256–66.

[63] David McKean, *Peddling Influence: Thomas "Tommy the Cork" Corcoran and the Birth of Modern Lobbying* (Hanover, NH: Steerforth, 2004), 216.

[64] Hersh, *The Old Boys*, 299.

[65] McKean, *Peddling Influence*, 216; Christopher Robbins, *Air America* (New York: Putnam's, 1979), 48–49, 56–57, 70; Byrd, *Chennault*, 333; Alan A. Block, *Masters of Paradise: Organized Crime and the Internal Revenue Service in the Bahamas* (New Brunswick, NJ: Transaction, 1991), 169.

[66] Curtis Peebles, *Twilight Warriors: Covert Air Operations against the USSR* (Annapolis, MD: Naval Institute Press, 2005), 88–89.

[67] William R. Corson, *The Armies of Ignorance: The Rise of the American Intelligence Empire* (New York: Dial Press/James Wade, 1977), 320–21.

[68] Hersh, *The Old Boys*, 284. Cf. Samuel Halpern (a former CIA officer) in Ralph S. Weber, *Spymasters: Ten CIA Officers in Their Own Words* (Wilmington, DE: Scholarly Resources, 1999), 117: "Bedell suddenly said,

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'They're under my command.' . . . He did it, and he did it in the first seven days of his tenure as DCI [director of the CIA]."

[69] Corson, *The Armies of Ignorance*, 319; Daniel Fineman, *A Special Relationship: The United States and Military Government in Thailand*, 1947–1958 (Honolulu: University of Hawai'i Press, 1997), 137; Henry G. Gole, *General William E. DePuy: Preparing the Army for Modern War* (Lexington: University Press of Kentucky, 2008), 80: "CIA Director Walter Bedell Smith opposed the plan, but President Truman approved it, overruled the Director, and ordered the strictest secrecy about it."

[70] Victor S. Kaufman, "Trouble in the Golden Triangle: The United States, Taiwan and the 93rd Nationalist Division," *China Quarterly*, no. 166 (June 2001): 441, citing Memorandum, Bradley to Secretary of Defense, April 10, 1950, and Annex to NSC 48/3, "United States Objectives, Policies, and Courses of Action in Asia," May 2, 1951. President's Secretary's File, National Security File—Meetings, box 212, Harry S. Truman Library, Independence, Missouri. Cf. Sam Halpern, in Weber, Spymasters, 119: "The Pentagon came up with this bright plan, as I understand it; at least, I was told this by my [CIA/OSO] boss, Lloyd George, who was Chief of the Far East Division at the time."

[71] Kaufman, "Trouble in the Golden Triangle," 442–43; Fineman, *A Special Relationship*, 141–42.

[72] Kaufman, "Trouble in the Golden Triangle," 443: "Whether . . . Secretary of State Dean Acheson . . . knew of Operation Paper is uncertain. Acheson was present at discussions regarding the use of covert operations against China. . . . Yet since mid-1950, the secretary of state had been working to remove the irregulars. Therefore, either Acheson knew of the operation and did not inform his subordinates, or he too did not have the entire picture." In apparent contradiction, William Walker writes that "Acheson had participated from the start in the decision-making process relating to NSC 48/5, so he was familiar with the discussions about using covert operations against China's southern flank" (*Opium and Foreign Policy*, 203). But NSC 48/5, primarily a policy paper on Korea, dates from May 17, 1951, half a year later.

[73] Leary, *Perilous Missions*, 116–17.

[74] Lintner, *Blood Brothers*, 237, citing MacArthur on March 21, 1951, in Robert H. Taylor, *Foreign and Domestic Consequences of the Kuomintang Intervention in Burma* (Ithaca, NY: Cornell University Southeast Asia Program, Data Paper no. 93, 1973), 42; Chennault on April 23, 1958, in U.S. Congress, House Committee on Un-American Activities, International Communism (Communist Encroachment in the Far East), "Consultations with Maj.-Gen. Claire Lee Chennault, United States Army," 85th Cong., 2nd sess., 9–10.

[75] Leary, *Perilous Missions*, 129–30. Leary states that U.S. personnel delivered the arms only as far as northern Thailand, with the last leg of delivery handled by the Thai Border Police. But there are numerous contemporary reports of U.S. personnel at Mong Hsat in Burma who helped unload the planes and reload them with opium (Scott, Drugs, Oil, and War, 60; Corson, *The Armies of Ignorance*, 320–22). Lintner reproduces a photograph of three American civilians who were killed in action with the KMT in Burma in 1953 (Lintner, Burma in Revolt, 168). On April 1, 1953, the Rangoon Nation reported a captured letter from Major General Li's headquarters, discussing "European instructors for the training of students."

[76] McCoy, *The Politics of Heroin*, 169–71; Lintner, *Blood Brothers*, 238. Despite this military fiasco, the KMT troops contributed to the survival of noncommunist Chinese

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communities in Southeast Asia both by serving as a protective shield and by sustaining the traditional social fabric of drug-financed KMT Triads in Southeast Asia. See McCoy, *The Politics of Heroin*, 185–86; Scott, *Drugs, Oil, and War*, 60, 192–93.

[77] Donald F. Cooper, *Thailand: Dictatorship of Democracy?* (Montreux: Minerva Press, 1995), 120.

[78] E.g., McCoy, *The Politics of Heroin*, 165–69. Cf. Tim Weiner, *Legacy of Ashes: The History of the CIA* (New York: Doubleday, 2007), 60: "The final theater for the CIA in the Korean War lay in Burma. In early 1951, as the Chinese Communists chased General MacArthur's troops south, the Pentagon thought the Chinese Nationalists could take some pressure off MacArthur by opening a second front. . . . The CIA began [sic] flying Chinese Nationalist soldiers into Thailand . . . and dropping them along with pallets of guns and ammunition into northern Burma." Cf. Walker, *Opium and Foreign Policy*, 200: "Some aid was already reaching KMT forces in Burma . . . months before the January 1951 NSC meeting."

[79] Fineman, *A Special Relationship*, 289n25.

[80] Fineman, *A Special Relationship*, 137.

[81] U.S. Treasury Department, Bureau of Narcotics, *Traffic in Opium and Other Dangerous Drugs* (Washington, DC: Government Printing Office, 1949), 13; (1950), 3; (1954), 12. Through the same decade, the FBN, by direction of the U.S. State Department, acknowledged to UN Narcotics Conferences that Thailand was a source for opium and heroin reaching the United States (Scott, *Drugs, Oil, and War*, 191, 203, citing UN Documents E/CN.7/213, E/CN.7/283, 22, and E/CN.7//303/Rev.1, 34; cf. Walker, *Opium and Foreign Policy*, 201 [State Department]). When the FBN Traffic in Opium reports began to acknowledge Thai drug seizures again in 1962, the Kennedy administration had already initiated serious efforts to remove the bulk of the KMT troops from the region (Kaufman, "Trouble in the Golden Triangle," 452).

[82] Walker, *Opium and Foreign Policy*, 206, cf. 213–15. Cf. also Valentine, *The Strength of the Wolf*, 133, 150–52. Anslinger was not alone in blaming heroin flows on mainland China. He was joined in the attack by two others with CIA connections: Edward Hunter (a veteran of OSS China and OPC who in turn was fed information regularly by Chennault) and Richard L. G. Deverall of the American Federation of Labor's Free Trade Union Committee (under the CIA's labor asset Jay Lovestone).

[83] Scott, *Drugs, Oil, and War*, 7, 60–61, 198, 207, citing Penny Lernoux, *In Banks We Trust* (Garden City, NY: Anchor/Doubleday, 1984), 42–44, 84.

[84] Fineman, *A Special Relationship*, 215.

[85] I explore this question in Scott, *Drugs, Oil, and War*, 60–64.

[86] Gole, *General William E. DePuy*, 80.

[87] Chennault himself was investigated for such smuggling activities, "but no official action was taken because he was politically untouchable" (Marshall, "Opium, Tungsten, and the Search for National Security, 1940–52," 92); cf. Barbara Tuchman, *Stilwell and the American Experience in China, 1911–1945*, 7–78; Paul Frillmann and Graham Peck, *China: The Remembered Life* (Boston: Houghton Mifflin, 1968), 152.

[88] Corson, *The Armies of Ignorance*, 322.

[89] Valentine, *The Strength of the Wolf*, 71, quoting Reid, The Mistress and the Mafia, 42.

[90] Marshall, "Opium, Tungsten, and the Search for National Security, 1940–52," 98, citing OSS CID 126155, April 19, 1945.

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[91] Marshall, "Opium, Tungsten, and the Search for National Security, 1940–52."

[92] Andrew Forbes and David Henley, *The Haw: Traders of the Golden Triangle* (Bangkok: Teak House, 1997).

[93] Cooper, *Thailand*, 116.

[94] Wen-chin Chang, "Identification of Leadership among the KMT Yunnanese Chinese in Northern Thailand, *Journal of Southeast Asian Studies* 33 (2002): 125. Chang calls this name "a popular misnomer" on the grounds that the KMT villages have been expanding and "slowly casting off their former military legacy."

[95] Taylor, *Foreign and Domestic Consequences of the Kuomintang Intervention in Burma*, 10.

[96] McCoy, *The Politics of Heroin*, 162–63.

[97] Sucheng Chan, *Hmong Means Free: Life in Laos and America* (Philadelphia: Temple University Press, 1994), 1942; cf. John T. McAlister, *Viet Nam: The Origins of Revolution* (Garden City, NY: Doubleday, 1971), 228; Scott, *The War Conspiracy*, 267.

[98] Timothy Brook and Bob Tadashi Wakabayashi, eds., *Opium Regimes: China, Britain, and Japan, 1839–1952* (Berkeley: University of California Press, 2000), 261–79; Jonathan Marshall, "Opium and the Politics of Gangsterism in Nationalist China, 1927–1945," *Bulletin of Concerned Asian Scholars, July–September 1976*, 19–48; Laura Tyson Li, *Madame Chiang Kai-shek: China's Eternal First Lady* (New York: Atlantic Monthly Press, 2006), 107, citing Nelson T. Johnson to Stanley K. Hornbeck, May 31, 1934, box 23, Johnson Papers, Library of Congress.

[99] In global surveys of the opium traffic, one regularly reads of the importance of Teochew (Chiu chau) triads in the postwar Thai drug milieu (e.g., Martin Booth, *Dragon Syndicates: The Global Phenomenon of the Triads* [New York: Carroll and Graf, 1999], 176–77; McCoy, *The Politics of Heroin*, 389, 396). Although triads are central to trafficking in Hong Kong, and today possibly inside China, I question whether the Teochew in Thailand, although they certainly are prominent in the drug trade there, are still as dominated by triads as they were before World War II. Cf. Skinner, *Chinese Society in Thailand*, 264–67.

[100] Valentine, *The Strength of the Wolf*, 14, citing Melvin L. Hanks, *NARC: The Adventures of a Federal Agent* (New York: Hastings House, 1973), 37, 162–66; Brook and Wakabayashi, *Opium Regimes*, 263. For an overview of U.S. knowledge of KMT drug trafficking, see Marshall, "Opium and the Politics of Gangsterism in Nationalist China, 1927–1945."

[101] Valentine, *The Strength of the Wolf*, 72–73, citing Terry A. Talent report of November 15, 1946; Douglas Clark Kinder and William O. Walker III, "Stable Force in a Storm: Harry J. Anslinger and United States Narcotics Policy, 1930–1962," *Journal of American History*, March 1986, 919.

[102] Valentine, *The Strength of the Wolf*, 77.

[103] Victor S. Kaufman, *Confronting Communism: U.S. and British Policies toward China* (Columbia: University of Missouri Press, 2001), 20–21.

[104] Cumings, *The Origins of the Korean War*, 508–25; Robert Accinelli, *Crisis and Commitment: United States Policy toward Taiwan, 1950–1955* (Chapel Hill: University of North Carolina Press, 1996), 271–72; Ross Y. Koen, *The China Lobby in American Politics* (New York: Harper and Row, 1974), 46, 48–51. Elsewhere I have described Commerce International China as a subsidiary of the WCC. Since then, I have learned that it was a firm founded in Shanghai in 1930. I now doubt the alleged WCC connection. Later, Fassoulis was

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indicted in a huge organized crime conspiracy to defraud banks in a stock swindle (*New York Times*, September 12, 1969; Peter Dale Scott, *Deep Politics and the Death of JFK* [Berkeley: University of California Press, 1998], 168–69, 178). By 2005, Fassoulis was worth $150 million as chairman and CEO of CIC International, the successor to Commerce International China; his company, now supplying the U.S. armed services, was predicted to do $870 million of business ("The 50 Wealthiest Greeks in America," *National Herald*, March 29, 2008). There have been speculations that the "U.S. Central Intelligence Agency . . . may actually support CIC International, Ltd. so it remains in business as one of its many brokers for arms, technology components, logistics on transactions significant to intelligence operations" (Paul Collin, "Global Economic Brinkmanship").

[105] Scott, *Drugs, Oil, and War*, 188.

[106] McCoy, *The Politics of Heroin*, 185.

[107] Scott, *Drugs, Oil, and War*, 192–93. Anslinger's protection of the KMT traffic had the additional consequence of strengthening and protecting pro-KMT tongs in America. In 1959, when a pro-KMT Hip Sing tong network distributing drugs was broken up in San Francisco, a leading FBN official with OSS–CIA connections, George White, blamed the drug shipment on communist China while allowing the ringleader to escape to Taiwan (Scott, *Drugs, Oil, and War*, 63; Valentine, *The Strength of the Wolf*, 195).

[108] Walker, *Opium and Foreign Policy*, 214.

[109] Joe Studwell, *Asian Godfathers: Money and Power in Hong Kong and Southeast Asia* (New York: Atlantic Monthly Press, 2007), 95–96.

[110] J. W. Cushman, "The Khaw Group: Chinese Business in Early Twentieth- Century Penang," *Journal of Southeast Asian Studies* 17 (1986): 58; cf. Trocki, "Drugs, Taxes, and Chinese Capitalism in Southeast Asia," 99–100.

[111] Marshall, "Opium, Tungsten, and the Search for National Security, 1940–52," 106. The KMT obtained the tungsten from Karen rebels controlling a major mine at Mawchj in exchange for modern arms provided by the CIA.

[112] Fineman, *A Special Relationship*, 133, 153. Bird at the time was a "private aviation contractor" (McCoy, *The Politics of Heroin*, 168), and aviation was the key to the BPP strategy of defending the Thai frontier because the Thai road system was still primitive in the border areas. Because Bird included in this committee his brother-in-law, Air Force Colonel Sitthi Savetsila, Sitthi became one of Phao's closest aides-de-camp and his translator. In the 1980s he served for a decade as foreign minister in the last Thai military government.

[113] I have not been able to establish the identity of this OPC officer. One possibility is Desmond Fitzgerald, who became the overseer and champion of Sea Supply, Operation Paper, the BPP, and (still to be discussed) PARU. Another possibility is Paul Helliwell.

[114] Lobe, *United States National Security Policy and Aid to the Thailand Police*, 19–20.

[115] Fineman, *A Special Relationship*, 137; McCoy, The Politics of Heroin, 165.

[116] Fineman, *A Special Relationship*, 134, emphasis added.

[117] McCoy, *The Politics of Heroin*, 168–69: Sherman Joost, the OPC officer who headed Sea Supply in Bangkok, "had led Kachin guerrillas in Burma during the war as a commander of OSS Detachment 101."

[118] Walker, *Opium and Foreign Policy*, 200, 205.

[119] McCoy, *The Politics of Heroin*, 168.

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[120] Scott, *Drugs, Oil, and War*, 187–89, 201–2; Robbins, *Air America*, 48–49, 56–57, 70; Leary, *Perilous Missions*, 110–12.

[121] Chen Han-Seng, "Monopoly and Civil War in China," Institute of Pacific Relations, *Far Eastern Survey* 15, no. 20 (October 9, 1946): 308.

[122] Scott, *Drugs, Oil, and War*, 187–89. CAT was not the only airline supplying Li Mi. There was also Trans-Asiatic Airlines, described as "a CIA outfit operating along the Burma-China border against the People's Republic of China" and based in Manila (Roland G. Simbulan, "The CIA in Manila," Nathan Hale Institute for Intelligence and Military Affairs, August 18, 2000). On April 10, 1948, an operating agreement was signed in Thailand between the new Thai government of Phibun and Trans-Asiatic Airlines (Siam) Limited (*Far Eastern Economic Review* 35 [1962]: 329). Note that this was two months before NSC 10/2 formally directed the CIA to conduct "covert" rather than merely "psychological" operations and five months before the creation of the OPC in September 1948.

[123] Lintner, *Burma in Revolt*, 146.

[124] FRUS, 1951, , vol. 6, pt. 2, 1634; Fineman, *A Special Relationship*, 150–51. The memo described Bird as "the character who handed over a lot of military equipment to the Police, without any authorization as far as I can determine, and whose status with CAS [local CIA] is ambiguous, to say the least."

[125] Fineman, *A Special Relationship*, 133, 153. Handley's otherwise well-informed account wholly ignores Bird's role in preparing for the coup (*The King Never Smiles*, 113–15).

[126] Scott, *Drugs, Oil, and War*, 40, citing McCoy, *The Politics of Heroin*, 162, 286–87. McCoy's estimate of the KMT's impact on expanding production is ex- tremely conservative. According to Bertil Lintner, the foremost authority on the Shan states of Burma, "The annual production increased from a mere 30 tons at the time of independence [1945] to 600 tons in the mid-1950s" (Bertil Lintner, "Heroin and Highland Insurgency," in *War on Drugs: Studies in the Failure of U.S. Narcotics Policy*, ed. Alfred W. McCoy and Alan A. Block [Boulder, CO: Westview Press, 1992], 288). Furthermore, the KMT exploitation of the Shan states led thousands of hill tribesmen to flee to northern Thailand, where opium production also increased.

[127] Mills, *Underground Empire*, 789. Mills also quotes General Tuan as saying that the Thai Border Police "were totally corrupt and responsible for transportation of narcotics." Mills comments, "This was of some interest, since the BPP, a CIA creation, was known to be controlled by SRF, the Bangkok CIA station" (Mills, *Underground Empire*, 780). For details on the CIA–BPP relationship in the 1980s, see Valentine's account (from Drug Enforcement Administration sources), *The Strength of the Pack*, 254–55.

[128] Scott, *Drugs, Oil, and War*, 62–63, 193.

[129] Kaufman, "Trouble in the Golden Triangle," 443.

[130] Fineman, *A Special Relationship*, 141.

[131] Rangoon Nation, March 30, 1953; Cooper, Thailand, 123; McCoy, *The Politics of Heroin*, 174; Lintner, *Burma in Revolt*, 139.

[132] McCoy, *The Politics of Heroin*, 174–76; Leary, *Perilous Missions*, 195–96; Lintner, *Blood Brothers*, 238; Life, December 7, 1953, 61.

[133] McCoy, *The Politics of Heroin*, 177–78.

[134] Peter Grose, *Gentleman Spy: The Life of Allen Dulles* (Boston: Richard Todd/ Houghton Mifflin, 1994), 324.

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[135] According to McCoy (*The Politics of Heroin*, 178), a CAT pilot named Jack Killam "was murdered in 1951 after an opium deal went wrong and was buried in an unmarked grave by CIA [i.e., OPC] agent Sherman Joost"—the head of Sea Supply. Joseph Trento, citing CIA officer Robert Crowley, gives the almost certainly bowd-lerized version that two "drunk and violent" CAT pilots "shot it out in Bangkok" (Trento, *The Secret History of the CIA*, 347). According to William Corson, "Several theories have been advanced by those familiar with the Killam case to suggest that the trafficking in drugs in Southeast Asia was used by the CIA as a self-financing device to pay for services and persons whose hire would not have been approved in Washington . . . or that it amounted to the actions of 'rogue' intelligence agents" (Corson, *The Armies of Ignorance*, 323). One consequence of these intrigues was that, as we have seen, OPC was abolished. At this time OPC Far East Director Richard Stilwell was rebuked severely by CIA Director Bedell Smith and transferred to the military. In the Pentagon, "by the end of 1981, Stilwell was running one of the most secret operations of the government" in conjunction with ex-CIA officer Theodore Shackley, a protégé of Stilwell's former OPC deputy, Desmond Fitzgerald (Joseph J. Trento, *Prelude to Terror: The Rogue CIA and the Legacy of America's Private Intelligence Network* [New York: Carroll and Graf, 2005], 213). Stilwell was advising on the creation of the U.S. Joint Special Operations Command.

[136] Marchetti and Marks, *CIA and the Cult*, 383.

[137] Hersh, *The Old Boys*, 301, quoting Polly (Mrs. Clayton) Fritchey. Other men prominent in the cabal responsible for Operation Paper were also Republican activists. One was Paul Helliwell, who became very prominent in Florida Republican Party politics, thanks in part to funds he received from Thailand as the Thai consul general in Miami. Harry Anslinger was a staunch Republican and owed his appointment as the first director of the FBN to his marriage to a niece of the Republican Party magnate (and Treasury Secretary) Andrew Mellon (Valentine, *The Strength of the Wolf*, 16). Donovan, married to a New York heiress and an OPC consultant in the late Truman years, had a lifelong history of activism in New York Republican Party politics.

[138] A perhaps unanswerable deep historical question is whether some of these men, and especially Helliwell, were aware that KMT profits from the revived drug traffic out of Burma were funding the China Lobby's heavy attack on the Truman administration in general and on Dean Acheson and George C. Marshall in particular. (We shall see that in the later 1950s, Donovan and Helliwell received funds from Phao Sriyanon for the lobbying of Congress, supplanting those of the moribund China Lobby. Cf. Fineman, *A Special Relationship*, 214–15.) Citing John Loftus and others, Anthony Summers has written that Allen Dulles, before joining the CIA, had contributed to the young Richard Nixon's first election campaign and possibly had also supplied him with the explosive information that made Nixon famous: that former State Department officer Alger Hiss had known the communist Whittaker Chambers (Anthony Summers with Robbyn Swann, *The Arrogance of Power: The Secret World of Richard Nixon* [New York: Viking, 2000], 62–63).

[139] Sydney Souers (the first director, Central Intelligence Group, 1946) was born in Dayton, Ohio. Hoyt Vandenberg (director, Central Intelligence Group, 1946–1947) was born in Milwaukee, Wisconsin. Roscoe Hillenkoetter (the third and first director of the CIA, 1947–1949) was born in St. Louis. Walter Bedell Smith (the fourth director of the CIA, 1949–1953) was born in Indianapolis.

[140] For the details, see Scott, *The War Conspiracy*, 261. The one from Boston, Robert

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Amory, was no less Social Register, and his brother, Cleveland Amory, wrote a best-seller, *Who Killed Society*, 1960).

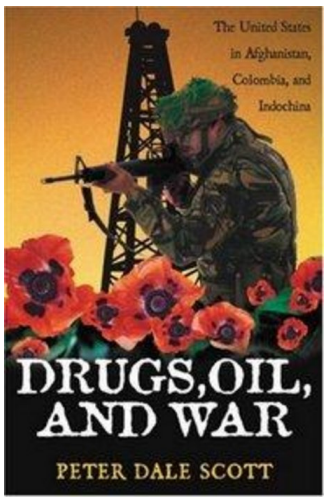
[141] Weiner, *Legacy of Ashes*, 52–53. It may be relevant that Bedell Smith himself was a right-wing Republican who reportedly once told Eisenhower that Nelson Rockefeller "was a Communist" (Smith, OSS, 367).

[142] McCoy, *The Politics of Heroin*, 165–78; cf. Trento, *The Secret History of the CIA*, 71.

[143] McCoy, *The Politics of Heroin*, 184.

[144] Darrell Berrigan, "They Smuggle Drugs by the Ton," *Saturday Evening Post*, May 5, 1956, 42.

[145] "Thailand: Not Rogue Cops but a Rogue System," a statement by the Asian Human Rights Commission, AHRC-STM-031-2008, January 31, 2008.



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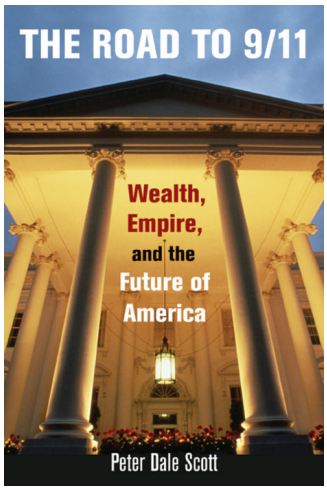

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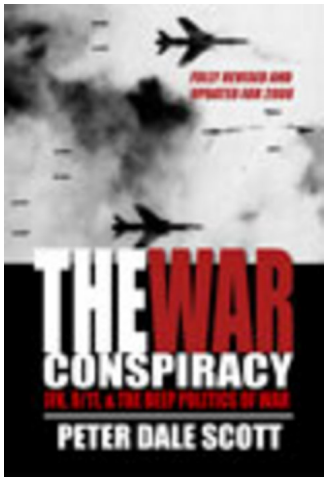

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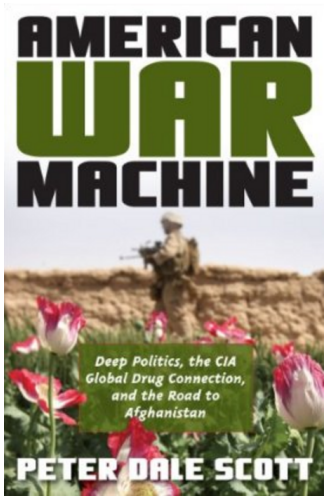

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